



# **Statement of Accounts**

Year Ending 31 March 2011

# Allerdale Borough Council

## Statement of Accounts 2010/2011

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# Explanatory Foreword

## 1 Introduction to the Statement of Accounts

- 1.1 I am pleased to introduce Allerdale Borough Council's Statement of Accounts for 2010/11, which summarises our financial affairs for the year and shows the financial position as at 31 March 2011.

The purpose of this foreword is to identify the key issues which the Council has faced through the past financial year and to give a narrative to help explain these. I have also looked forward to the future and explained the challenges that lie ahead for Allerdale and the plans to address these challenges.

### 1.2 Background - International Financial Reporting Standards

The public sector has adopted a new method of reporting in their financial statements – International Financial Reporting Standards (IFRS). This change from UK GAAP (Generally Accepted Accounting Principles) to IFRS is designed to make the Statement of Accounts more informative and transparent.

As this is the first year of preparing the statements using the IFRS Code of Practice, the major statements show the balances restated as at 31 March 2009 and all changes since that date.

The key changes resulting from the conversion from UK GAAP requirements to IFRS are as follows:-

- Fixed Assets have been measured and recorded differently, particularly as a result of revaluation, impairment, revaluation losses and a stronger emphasis on component accounting.
- Outstanding holiday pay has been valued and accrued.
- Lease categorisations have changed and leases for land and buildings have been separated in all cases.
- Presentation of the financial statements, including supporting disclosure notes, has significantly changed.
- Treatment of capital grants, which now impact on the Comprehensive Income & Expenditure Statement.

The adoption of IFRS reporting requirements has also required the restatement of the opening balances of the two previous financial years.

- 1.3 Until 2010/11, the Statement of Accounts would have been approved in draft by the Council's Audit Committee and submitted to our appointed auditor (Audit Commission). The requirement now is that the Council's Responsible Finance Officer approves this statement. On completion of the audit the Statement of Accounts will be approved by the Audit Committee.

### 1.4 The Key Accounting Statements

The Statement of Accounts comprises core financial statements and related notes along with supplementary financial statements. The core statements are as follows:-

## **The Statement of Responsibilities for the Statement of Accounts (page 12)**

This sets out the responsibilities of both the Council and its responsible Finance Officer for the preparation of the accounts.

## **Movement in Reserves Statement (page 13)**

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/ Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

## **The Comprehensive Income and Expenditure Account (page 14)**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

## **Balance Sheet (page 15)**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves include reserves that hold unrealised gains and losses (for example Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

## **Cash Flow Statement (page 17)**

This statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

## **Supplementary Financial Statements:**

**Collection Fund (page 81)** - this statement reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

**Annual Governance Statement** – the Annual Governance Statement sets out the arrangements put in place by the Council to ensure legislative requirements, governance principles and management processes are within the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

## **2. General Fund**

- 2.1 The General Fund records the day to day running costs of the Council's services. Net General Fund expenditure is met from the following sources:

### Government Grants

- National Non- Domestic Rates, collected locally and redistributed nationally
- Revenue Support Grant
- Concessionary Travel Grant
- Area Based Grant

### Collection Fund

- Collection Fund surpluses, arising from better than expected collection rates
- Council Tax collected from the borough's residents

### General Fund Balances

### Earmarked Reserves

## **2.2 Revenue Expenditure**

- 2.2.1 The General Fund (GF) Revenue Budget for 2010/11 was approved with net expenditure of £17,486k (including Parish Precepts of £1,158k). The net revenue outturn for the year was £16,092k. This is an under spend in the year of £1,394k.

The overall position is analysed in the following table:-

<b>Portfolio</b>	<b>Approved Budget</b>	<b>Outturn Including transfers to/from reserves</b>	<b>Variance</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Business	616	569	(47)
Finance & Asset Management	2,917	2,865	(52)
Housing & Planning	1,337	1,019	(318)
People	3,525	2,553	(972)
Performance & Improvement	1,073	908	(165)
Places	4,950	5,217	267
Resources	2,912	2,866	(46)
Strategic Leadership, Partnerships and Comms	156	95	(61)
<b>TOTAL</b>	<b>17,486</b>	<b>16,092</b>	<b>(1,394)</b>

### 2.3 Issues during 2010/11 and for 2011/12

- 2.3.1 During 2010/11 the Council completed the restructuring of the management structures, following the Transformation Agenda which was started in 2009/10.
- 2.3.2 The Council embarked on a shared service arrangement for Revenues and Benefits with Carlisle City Council and Copeland Borough Council. In June 2010 the existing Allerdale staff were transferred to Carlisle City Council, as the host authority. The Council changed the computer system and went live at the end of November 2010.
- 2.3.3 In January 2010 the Council began publishing details of all spend above £500, in line with the new Government's emphasis on transparency.
- 2.3.4 Following advice from Counsel regarding the landslip that occurred at Curwen Park, a provision has been made to cover the potential costs of restating the land.
- 2.3.5 The new Government announced an emergency budget in June 2010 and the Comprehensive Spending Review (CSR) announced significant reductions in future government grants, in order to tackle the national economic position.
- 2.3.6 This led to Allerdale's senior management team and Executive undertaking a review of the adequacy of the current reserves and balances to withstand the impact of the CSR. As a result of this just over £2 million was released back into GF balances.
- 2.3.7 The Council continues to seek to protect front line services whilst income from government falls considerably. Plans to reduce costs include Service Reviews to determine levels of service to be provided, reducing costs in the "back office" by exploring further options to share and modernise support services, reducing office accommodation costs and looking at options for economies of scale through more effective procurement.
- 2.3.8 A number of budget headings reported favourable variances at the outturn position – either due to additional income being received, or because spending was below expectations.

2.3.9 Budget forecasting predicted a number of significant favourable variances, and this allowed for the 2011/12 budget to incorporate the on-going implications.

2.3.10 The table below shows the actual expenditure for 2010/11 compared to the budget, and shows how the expenditure was financed.

### Summary Position against Budget – 2010/11

	Budget £000	Actual £000	Actual £000	Variance £000
<b>EXPENDITURE</b>				
Net expenditure on services	16,307		15,881	(426)
General Fund Balances	21		3,454	3,433
General Fund Reserves	0		0	0
Earmarked Reserves			(3,001)	(3,001)
- contributions to		611		
- contributions from		(3,612)		
	<b>16,328</b>		<b>16,334</b>	<b>6</b>
Net Parish Precepts	1,158		1,158	0
	<b>17,486</b>		<b>17,492</b>	<b>6</b>
<b>FINANCING</b>				
Government Grants				
- National Non Domestic Rates	9,285		9,285	0
- Revenue Support Grant	1,348		1,348	0
- Community Recovery Fund	558		558	0
- Concessionary Travel Grant	539		539	0
- Area Based Grant	29		35	6
Collection Fund				0
- Collection Fund Surplus	36		36	0
- Council Tax	5,691		5,691	0
	<b>17,486</b>		<b>17,492</b>	<b>6</b>

### Earmarked Reserves

At the beginning of 2010/11 the Council had earmarked reserves totalling £6,733k. The reserves are created from past events that have allowed monies to be set-aside, such as budget carry forward requests or surpluses on budgets.

Following the announcement of the new Governments emergency budget and consequential impact of the Comprehensive Spending Review (CSR), the senior management team (SMT) and the Executive undertook a review of all earmarked reserves in October 2010. This led to the release of £2,027k from earmarked reserves back into General Fund Balances.



The movement and reasons for this change can be summarised as follows:-

### Movement on Earmarked Reserves during 2010/11

	£'000	£'000
<b>Opening Balance</b>		<b>(6,733)</b>
<b>Contributions to Reserves</b>		
Additional Income received and earmarked	(176)	
Budgeted Contribution	(25)	(201)
Budget Carry Forwards		(410)
<b>Contributions from Reserves</b>		
Released by SMT	2,0276	
Released for planned expenditure	1,585	3,612
Released to Support Budget	558	
Released to cover Capital Expenditure	165	723
<b>Closing Balance</b>		<b>(3,009)</b>

### 3. Capital Expenditure

Capital expenditure covers expenditure on long term projects, such as acquisition, improvement and enhancement of our assets. The table below shows capital expenditure for all services in 2010/11 compared to budget, and also shows where the expenditure was financed from. The revised budget reflects uncompleted schemes that have been carried forward from the previous year.

	Original Budget	B/F from 2009/10	Additions / Reductions	Revised Budget	Planned carry forward to 2011/12	Actual spend 2010/11	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Expenditure</b>							
Private Sector Housing	1,309	1,017	(34)	2,292	1,005	1,287	0
Asset Management	180	128	11	319	71	136	112
Regeneration	0	502	35	537	232	309	(4)
Leisure	300	467	50	817	625	194	(2)
Information technology	376	262	297	935	69	866	0
	<b>2,165</b>	<b>2,376</b>	<b>359</b>	<b>4,900</b>	<b>2,002</b>	<b>2,792</b>	<b>106</b>
<b>Financing</b>							
Borrowing - Unsupported	0	0	0	0	0	0	0
Grants	1,684	1,676	(377)	2,983	1,370	1,596	17
Contributions	0	0	546	546	36	488	22
Capital Receipts	481	675	56	1,212	596	529	87
Revenue and Reserves	0	25	134	159	0	179	(20)
	<b>2,165</b>	<b>2,376</b>	<b>359</b>	<b>4,900</b>	<b>2,002</b>	<b>2,792</b>	<b>106</b>

## **4. Collection Fund**

- 4.1 Council Tax and National Non-Domestic Rates are collected and paid into the Collection Fund. Payments are made from the fund to the National Business Rate Pool (for redistribution to local authorities nationally), and to Cumbria County Council, Cumbria Police Authority, and Parish Councils in the borough, and Allerdale Borough Council (General Fund) through precepts.
- 4.2 For 2010/11, Band D Council Tax was set at £1,499.56 (excluding parish precepts), comprising the following:-

	£
Allerdale Borough Council	144.17
Cumbria County Council	1,161.50
Cumbria Police Authority	193.89
	<hr/>
	<b>1,499.56</b>

## **5. Treasury Management**

The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management.

The DCLG's revised Investment Guidance came into effect on 1 April 2010 and reiterated the need to focus on security and liquidity, rather than yield. It also recommended that strategies include details of assessing credit risk, reasons for borrowing in advance of need and the use of treasury advisers.

Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2010/11.

Following the Comprehensive Spending Review on 27 October 2010, HM Treasury instructed the PWLB to increase the interest rate on all new loans by an average of 1% above UK Government Gilts. This resulted in less potential for premature repayment of outstanding loans and, as a consequence, no premature repayments were made, due to the prohibitive cost (or penalty) that would result.

The Council, therefore, remained a net borrower of £4.1 million at 31 March 2011, having both borrowings (£11.2 million, made up primarily of PWLB debt) and also investments (£7.1 million) outstanding.

## **6. Pensions Reserve**

- 6.1 In accordance with IAS 19- Employee Benefits, the Council is required to report its liability under the pension scheme as it arises, rather than when benefits are paid as pensions. The actuarial valuation at 31 March 2011 showed a net liability of £21.9 million (£27.6 million at 31 March 2010).

- 6.2 The liabilities show the Council's underlying commitments to pay retirement benefits in the long term and have been assessed on an actuarial basis using an estimate of the pensions that will be payable in future years, taking into account assumptions about mortality rates, salary levels, etc and clearly these may vary.
- 6.3 These liabilities will not become due immediately, or all at once, as they relate to estimated pensions payable to current scheme members on their normal retirement date. The position represents simply a snapshot as at the end of the Balance Sheet date based on prevailing market and other economic conditions and assumptions. As such they may fluctuate markedly from one year to the next.
- 6.4 During 2010/11 there is a large negative past service cost of (£4,326k) and this is due to annual pension increases being based on the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). This is reported in the Comprehensive Income and Expenditure Statement under exceptional items.
- 6.5 The future costs and funding of pensions continue to be national issues that are regularly considered by Government.

## **7. Asset Valuation**

Assets are revalued every 5 years as a minimum, however, a rolling programme of revaluations commenced in 2010/11 in respect of Property, Plant and Equipment, car parks being revalued at 31 March 2011.

Furthermore, Investment Assets and Assets held for Sale are revalued annually.

Further information about the accounts is available from:

Catherine Nicholson  
Financial Services Manager  
Allerdale House  
New Bridge Road  
Workington  
Cumbria  
CA14 3YJ

# **Statement of Responsibilities for the Statement of Accounts**

## **Allerdale Borough Council's Responsibilities**

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Financial Services Manager.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts. In this Authority, that function is delegated to the Audit Committee.

**Signed..... Dated:**

**Audit Committee Chairman**

## **The Financial Services Manager's Responsibilities**

The Financial Services Manager is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Financial Services Manager has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the local authority Code.

The Financial Services Manager has also:

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Having undertaken the above, the Financial Services Manager is satisfied that the statement of accounts presents a true and fair view of the financial position of the Council and its income and expenditure for the year ended 31<sup>st</sup> March 2011.

**Signed ..... Dated:**

Catherine Nicholson  
Financial Services Manager

# Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce taxation) and 'other reserves'. The 'Surplus or (Deficit) on the provision of services' line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Net increase/ decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Note	General Fund Balance £'000	Earmarked GF Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 1 April 2010 (Restated)</b>		<b>2,320</b>	<b>6,733</b>	<b>1,451</b>	<b>1,266</b>	<b>11,770</b>	<b>58,992</b>	<b>70,762</b>
Surplus or (deficit) on provision of services (accounting basis)	CI&E	(4,282)	0	0	0	(4,282)	0	(4,282)
Other Comprehensive Income and Expenditure	CI&E	0	0	0	0	0	5,158	5,158
<b>Total Comprehensive Expenditure and Income</b>		<b>(4,282)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,282)</b>	<b>5,158</b>	<b>876</b>
Adjustments between accounting basis & funding basis under regulations	4	4,012	0	(302)	(55)	3,655	(3,652)	3
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>		<b>(270)</b>	<b>0</b>	<b>(302)</b>	<b>(55)</b>	<b>(627)</b>	<b>1,506</b>	<b>879</b>
Transfers to / from Earmarked Reserves	5b	3,724	(3,724)	0	0	0	0	0
<b>Increase / Decrease in Year</b>		<b>3,454</b>	<b>(3,724)</b>	<b>(302)</b>	<b>(55)</b>	<b>(627)</b>	<b>1,506</b>	<b>879</b>
<b>Balance at 31 March 2011</b>		<b>5,774</b>	<b>3,009</b>	<b>1,149</b>	<b>1,211</b>	<b>11,143</b>	<b>60,498</b>	<b>71,641</b>

# Comprehensive Income and Expenditure Account

This Statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than amounts to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2009/10 Net Restated £'000		Note	2010/11		
			Expenditure £'000	Income £'000	Net £'000
1,724	Central Services to the Public		9,608	(8,304)	1,304
11,207	Cultural, Environmental, Regulatory and Planning Services		18,358	(6,962)	11,396
1,302	Highways and Transport Services		4,464	(3,760)	703
1,356	Other Housing Services		27,355	(26,014)	1,341
1,384	Corporate and Democratic Core		2,303	(165)	2,138
785	Non Distributed Costs		288	0	288
0	Exceptional Item – Past Service Cost Pension		(4,326)		(4,326)
1,008	Exceptional Item - Redundancy		339	0	339
<b>18,766</b>	<b>Cost of Services</b>		<b>58,388</b>	<b>(45,205)</b>	<b>13,183</b>
1,743	(Gains) / Losses on Sale of Fixed Assets	7.7			(36)
1,071	Precepts paid to Parish Councils				1,158
(161)	(Surplus)/ Deficit from Trading Undertakings & Other Operations	19	47	(268)	(221)
0	Revaluation Gain or Loss on Assets held for sale	7.3			7,620
<b>2,653</b>	<b>Other Operating Expenditure</b>		<b>47</b>	<b>(268)</b>	<b>8,521</b>
631	Interest Payable				737
(263)	Interest & Investment Income				(130)
0	Income, Expenditure, Depreciation and Impairment of Investment Property	7.2			(1,480)
1,591	Pension Interest Cost and Expected return on Pension Assets	29			1,295
<b>1,959</b>	<b>Financing and Investment Income and Expenditure</b>		<b>0</b>	<b>0</b>	<b>422</b>
<b>0</b>	<b>Surplus or Deficit on Discontinued Operations</b>		<b>0</b>	<b>0</b>	<b>0</b>
(1,330)	Recognised capital grants and contributions	33			(845)
(5,609)	Income from Council Tax				(5,792)
(3,246)	Revenue Support Grant				(1,887)
(34)	Local Authority Business Growth Incentive				0
(280)	Non service related Grants				(35)
(8,596)	National Non Domestic Pool				(9,285)
<b>(19,095)</b>	<b>Taxation and Non-Specific Grant Income</b>				<b>(17,844)</b>
<b>4,283</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>4,282</b>
(515)	Surplus or Deficit on revaluation of fixed assets				(2,627)
8,573	Actuarial gains / losses on pension assets / liabilities				(2,531)
0	Other Gains/ Losses				0
<b>8,058</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(5,158)</b>
<b>12,341</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(876)</b>

## **Balance Sheet as at 31 March 2011**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (i.e. Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

## Balance Sheet as at 31 March 2011

31-Mar-10 Restated £'000		Note	31-Mar-11 £'000
52,436	Property, Plant & Equipment	7.0	53,773
30,240	Investment Property	7.2	42,028
438	Intangible Assets	7.1	542
20	Long Term Investments	16	20
100	Long Term Debtors	10	70
<b>83,234</b>	<b>Long Term Assets</b>		<b>96,433</b>
4,574	Short Term Investments	16	4,031
55	Stock	12	78
7,078	Short Term Debtors	11	5,568
550	Payments in Advance	11	11
840	Cash and Cash Equivalents	15	2,314
18,300	Assets held for sale	7.3	185
<b>31,397</b>	<b>Current Assets</b>		<b>12,187</b>
(883)	Short Term Borrowing	17	(387)
(3,089)	Short Term Creditors	14	(3,027)
(1,719)	Receipts in Advance	14	(853)
(94)	Provisions	27	(55)
<b>(5,785)</b>	<b>Current Liabilities</b>		<b>(4,322)</b>
(20)	Long Term Creditors	13	0
(229)	Provisions	27	(653)
(10,169)	Long Term Borrowing	17	(10,128)
(27,666)	Defined Benefit Pension Scheme	29	(21,876)
<b>(38,084)</b>	<b>Long Term Liabilities</b>		<b>(32,657)</b>
<b>70,762</b>	<b>Net Assets</b>		<b>71,641</b>
11,770	Usable Reserves		11,143
58,992	Unusable Reserves	5 a)	60,498
<b>70,762</b>	<b>Total Reserves</b>		<b>71,641</b>



# Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as; operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

31-Mar-10 £'000		Note	31-Mar-11 £'000
(4,283)	Net surplus or (deficit) on the provision of services		(4,282)
1,843	Adjust net surplus or deficit on the provision of services for non-cash movements	6a	31,474
(1,330)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	6a	(26,891)
<b>(3,770)</b>	<b>Net cash flows from Operating Activities</b>		<b>301</b>
(411)	Net cash flows from Investing Activities	6b	956
(5,540)	Net cash flows from Financing Activities	6c	217
<b>(9,721)</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>1,474</b>
10,561	Cash and cash equivalents at the beginning of the reporting period	6d	840
<b>840</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>6d</b>	<b>2,314</b>

# **Notes to Financial Statements**

## **1. Statement of Accounting Policies**

### **1) General Principles**

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010 (The Code) based on International Financial Reporting Standards. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### **2) First Time Adoption of the Code of Practice 2010 Based on International Reporting Standards**

These financial statements are the first financial statements of Allerdale Borough Council prepared in accordance with the Code of Practice 2010: Based on International Financial Reporting Standards. The Council has applied IFRS 1 in preparing these financial statements except where interpretations or adaptations to fit the public sector are detailed in the Code.

### **3) Accruals of Income and Expenditure**

Income and expenditure is accounted for in the year it relates to, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies of goods and services are accrued and accounted for in the period they are received or consumed. Goods not consumed in the period are held as stock on the balance sheet. An exception occurs in respect of payments for energy and other similar quarterly payments, which are charged at the date of the meter reading rather than being apportioned between financial years. This process is consistently applied each year and therefore does not have a material effect on the year's accounts.
- Interest paid or received is recognised in the period to which it relates on the basis of the effective interest rate for the relevant financial instrument that reflects the overall effects of the borrowing or investment generating the interest.

- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is uncertain that a debt will be collected, a provision for bad debt is charged to the Comprehensive Income and Expenditure account, reflecting the income that might not be collected.

#### **4) Cash and Cash Equivalents**

Cash comprises cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours (deposits held at call) and bank overdrafts. Cash equivalents are short term, highly liquid investments with maturities of 3 months or less at acquisition, that are readily convertible to known amounts of cash.

#### **5) Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to understand the Authority's financial performance.

#### **6) Prior Period Adjustments, Changes in accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Change in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effects of transactions, other events and conditions on the Authority's financial position or financial performance. Where change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior periods as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## **7) Charges to Revenue for Non current Assets**

Services, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation or impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement which is considered to be prudent. This is known as the Minimum Revenue Provision. Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

## **8) Employee Benefits**

### **Benefits payable during Employment**

Short term employee benefits are those due to be settled within 12 months of the year-end. Salaries, wages and employment related payments are recognised in the period in which the service is rendered by employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

### **Post- Employment Benefits**

Employees of the Council are members of the Local Government Pensions Scheme, administered by Cumbria County Council. The scheme is a defined benefits scheme meaning that the scheme provides retirement lump sums and pensions, earned as employees work for the council and uses following principles for accounting:

- The liabilities of the Cumbria County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices

- The assets of the Cumbria County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value
  
- The change in the net pensions liability is analysed into seven components:
  - a) **current service cost** – the increase in liabilities as a result of years of service earned earlier this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - b) **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - c) **interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.
  - d) **expected return on assets** – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.
  - e) **gains/losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the Non Distributed Costs.
  - f) **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Comprehensive Income and Expenditure Statement.
  - g) **contributions paid to the Cumbria County Council pension fund** – cash paid as employer's contributions to the pension fund; not accounted for as an expense.

Statutory provisions allow the council to increase council tax to cover the amounts paid by the Council to the pension fund in the year. This means that within the Movement on the Reserves Statement, there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

## **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## **9) Events after the Balance Sheet Date**

Post Balance sheet events are considered up until the date that the Financial Statements are authorised for issue.

## **10) Financial Instruments**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at Fair value and are carried at their amortised cost. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on carrying amount of the liability, multiplied by the effective rate of interest. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the borrowing to the amount at which it was originally recognised.

Gains or losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement.

### **Financial Assets**

Financial assets are recognised when the Council becomes party to the financial instrument contract.

Financial assets are classified into three types:

#### **i) Loans and Receivables**

Loans and receivables are non-derivative assets with fixed or determinable payments which are not quoted in active market. After initial recognition at fair value, they are measured at amortised cost using the effective interest method. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest); and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

When a soft loan is made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of interest that will be foregone over the life of the instrument. A soft loan is a loan made at less than market rates.

## ii) Available-for-sale Assets

These are non-derivative financial assets that are designated as available for sale or do not fall within any of the other financial asset classification.

The Council holds government stocks and private company shares of low value. These are held in the Balance Sheet at historic cost as the marginal difference between this and fair value is not considered material. The fair value position is set out in a note to the accounts.

All other assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- equity shares with no quoted market prices – estimated fair value, for shares acquired from third party. If no reliable estimate can be made, it is measured at cost less impairment.

The gain or loss arising from a change in the fair value of an available for sale asset is recognised in Other Comprehensive Income and taken to the Available for Sale Reserve except for impairment losses, which are recognised in Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

When an Available for Sale Asset is derecognised, any gains or losses on derecognition along with any accumulated gain or loss previously recognised in the Available for Sale Reserve is transferred to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Interest on Available for Sale Assets is calculated using the effective interest rate method and credited to the Comprehensive Income and Expenditure Statement.

## iii) Fair Value through Profit and Loss

A financial asset held for trading is classified as at fair value through profit or loss if it is:

- Acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or
- Part of portfolio of identified financial assets that are managed together and there is a evidence of short term profit taking, or
- A derivative.

The investments managed by a fund manager will commonly not be held until maturity and are classified as being acquired principally for the purpose of selling or repurchasing in the near term, with evidence in place of short term profit taking.

## **Instruments Entered into Before 1 April 2006**

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed.

## **11) Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied, are carried in the Balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income in the Comprehensive income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out to the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to Capital Adjustment Account. Amounts in Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **12) Area Based Grants**

Area Based Grant (ABG) is a non-ringfenced general grant, which has no restrictions imposed upon its usage. ABG is received directly by the Council from the Government, rather than being received indirectly through Cumbria County Council. ABG is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.



## **13) Intangible Assets**

### **Recognition**

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the Council's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits be provided to the Council, where the cost of the asset can be measured reliably, and where the cost is at least £ 10,000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating hardware is capitalised as a part of the relevant item of property, plant and equipment. Expenditure on research is not capitalised.

### **Measurement**

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment wherever there is an indication that the asset might be impaired. Any gain or loss arising on the disposal of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

## **14) Interests in Companies and Other Entities**

The authority has reviewed its material interests with external bodies in 2010/11 as required by the Code and it has concluded that it is not the nature of subsidiaries, associates and joint ventures both individually and in aggregate. There is therefore no requirement to prepare group accounts.

## **15) Investment Properties**

### **Recognition and Measurement**

Investment properties are the properties (land and/ or buildings), held solely to earn rentals or for capital appreciation or both, rather than for:

- Use in the production or supply of goods or services or for administrative purposes; or
- Sale in the ordinary course of operations.

Investment property is initially measured at cost and after initial recognition at fair value. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end.

When an investment property is disposed of, it is derecognised and any gain or loss on disposal is recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gain or loss arising from a change in the fair value of investment property.

Rentals received in relation to Investment property are credited to the Comprehensive Income and Expenditure Statement. However revaluation gain and disposal gains or losses are not permitted to have an impact on General Fund balance. The gains or losses are therefore reversed out of General Fund in the Movement in Reserves Statement and posted to Capital Adjustment Account.

## **16) Inventories and Long term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value as per IAS 2.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provisions of Services with the value of works and services received under the contract during the financial year.

## **17) Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to lessee. All other leases are classified as operating leases.

### **i) The Council as lessee**

#### **Finance Leases**

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value (or the present value of the minimum lease payment, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, (the liability is written down as the rent becomes payable), and
- a finance charge, (debited to the Comprehensive Income and Expenditure Statement as the rent becomes payable).

Property, Plant and Equipment recognised under finance leases is accounted subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

#### **Operating Leases**

Rentals payable are charged to the relevant service revenue account in the Comprehensive Income and Expenditure Statement on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

## **ii) The Council as lessor**

### **Finance Leases**

Where the Authority grants a finance lease over a property, plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal and the carrying amount is written off to the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property- applied to write down the lease debtor
- finance income (credited to the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement or write off value of disposals is not to be adjusted against council tax. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund in the Movement of Reserves Statement.

### **Operating Leases**

Where the Authority grants an operating lease over a property or plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Lease arrangements are reviewed regularly by Property Services and where increases in rent are agreed, the additional income is accounted for in the year the lease review is completed and the revised rent becomes due.

## **18) Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Code of Practice 2010. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation
- Non Distributed Costs – the costs of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational premises

These two cost categories separately identified in the Comprehensive Income and Expenditure Statement as part of Net Cost of Services.

## 19) Property, Plant and Equipment

Property, Plant and Equipment are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

### Recognition

Property, plant and equipment is capitalised if:

- It is probable that future economic benefits will flow to, or service potential will be supplied to the Council;
- It is expected to be used for more than one financial year;
- The cost of the item can be measured reliably;
- The item has cost of at least £10,000 or;
- Items form part of the initial equipping, and setting up cost of a new building, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic life.

### Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance. In latter case, where an asset is acquired via an exchange, the cost of acquisition is the carrying amount of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Land and non-specialised building – fair value or existing use value
- Specialised Buildings – depreciated replacement cost
- Infrastructure and community assets – depreciated historical cost
- Vehicles, plant and equipment – depreciated historical cost (as a proxy for fair value)

Assets included in the Balance Sheet at fair value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to Surplus or Deficit on the Provision of Services.

Where decrease in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the assets in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance or an insufficient balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **Subsequent expenditure**

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written out and charged to operating expenses.

### **Impairment**

The values of each category of assets and of material individual assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount is written down against that balance (up to the amount of gains)
- Where there is no balance or an insufficient balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

### **Disposals**

Where an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Operating Expenditure line in the Comprehensive Income and Expenditure Statement as a part of the gain or loss on disposal and receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as a part of the gain or loss on disposal.

Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The net gain/ loss on disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. The net carrying value of assets disposed is therefore apportioned to the Capital Adjustment Account through the Movement in Reserves Statement.

## **Depreciation**

Depreciation is provided for on all property, plant and equipment (except for investment properties and assets held for sale), by allocating the value of the assets in the Balance Sheet to the periods expected to benefit from their use.

The estimated useful lives of assets have been professionally derived by the Council's Valuation Officer and were reviewed as part of the last full revaluation. Estimates of the useful life of each individual asset range from 5 to 70 years, although the majority of properties have an estimated useful life of between 15 and 30 years.

Depreciation is calculated on the following bases:

Operational Buildings	10-70 years
Infrastructure Assets	15-70 years
Operational Vehicles and plant	3-20 years
Intangible assets	3-10 years

Where an asset has new major components with different estimated useful lives and significant costs, these are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between the current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## **20) Non-current assets held for sale**

Non-current assets are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when:

- The sale is highly probable;
- The asset is available for immediate sale in its present condition;
- Management is committed to the sale;
- The asset must be actively marketed for a sale price that is reasonable;
- The sale should be expected to complete in one year.

Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

Any reduction in asset values is recognised as an impairment loss. A gain recognised for any subsequent increases in fair value less costs of sale, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets held for sale are not depreciated or amortised.

Property, plant and equipment that is to be scrapped or demolished does not qualify as held for sale. Instead, it is retained as an operational asset and its economic life is adjusted. The asset is derecognised when it is scrapped or demolished.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale.

## **21) Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

Provisions are recognised when:

- The Council has a present legal or constructive obligation as a result of past event; and
- It is probable that the Council will be required to settle the obligation by a transfer of economic benefits; and
- A reliable estimate can be made of the amount of obligation

The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that Authority becomes aware of the obligation.

Where some or all of the payment required to settle a provision are expected to be recovered from third party, this is only recognised as income if it is virtually certain that reimbursements will be received if the Authority settles the obligation.

The value of provision is reviewed at each balance sheet date to reflect current best estimates.

### **Contingent Assets**

Contingent Assets are possible assets which arise from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the Council's control.

In accordance with the Code, they are not recognised in the accounts, rather they are disclosed as a note to the Accounting Statements where the inflow of economic benefits or service potential is probable and can be reliably measured. Contingent assets are continually assessed to determine their position.

## **Contingent Liabilities**

Contingent Liabilities are either:

- a) Possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Council's control, or
- b) Present obligations arising from past events, but is not recognised because:
  - It is not probable that a transfer of economic benefits will be required to settle the obligation, or
  - The amount of the obligation cannot be measured with sufficient reliability.

In accordance with the Code, material contingent liabilities are not recognised within the accounts as an item of expenditure, rather, they are disclosed as a note to the Accounting Statements. Contingent liabilities are subject to a continual assessment to determine their position.

## **22) Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and these do not represent usable resources for the Council.

## **23) Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. It is the council's policy to write off the value of revenue expenditure funded from capital under statute to services and reflect them in the Comprehensive Income and Expenditure Statement in the year they arise. The Movement in Reserves Statement is then adjusted to neutralise the effect of the write off on the amounts to be raised through the council tax in the year.

## **24) VAT**

Income and expenditure exclude any amounts related to VAT, as all VAT collected is payable to HM Revenues and Customs and all VAT paid is recoverable from it.



## **2. Critical Judgements in applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Whether a service partnering agreement with FOCSA for waste recycling is a service concession agreement:  
In the light of existing terms of contract, the authority is of the view that the contract does not satisfy all the conditions of Finance Lease under IFRIC 12 or IFRIC 4 and therefore it will remain as Operating Lease in accounts.
- Whether Surplus assets are Investment properties:  
After reviewing all the land and buildings held by the authority as Surplus, the authority is of the view that they satisfy conditions for classifying as Investment properties and therefore they all have been reclassified as Investment properties in accounts.

## **3. Assumptions made about the future and other major sources of estimation uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors.

The items in the Council's Balance sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### **i) Property, plant and equipment**

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful life of assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for operational assets would increase by £262,000 per year, if useful lives had to be reduced by two years.

### **ii) Doubtful debts**

At 31 March 2011, the Authority had a balance of sundry debtors for £6,438,000. A review of significant balances suggested that the estimated rate of default of 3% (£128,000) was appropriate. However, in the current economic climate, the collection rates can deteriorate. And it might impact doubtful debts by doubling the impairment.

#### 4. Adjustments between Accounting basis and Funding basis under Regulations

	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
<b>Adjustments primarily involving Capital Adjustment A/C:</b>				
<b>Reversal of items debited/credited to the Comprehensive Income &amp; Expenditure Statement</b>				
Depreciation and Impairment of non-current assets	1,545			(1,545)
Revaluation losses	7,620			(7,620)
Movement in the market value of Investment Properties	(1,480)			1,480
Amortisation of Intangible assets	153			(153)
Capital Grants & contributions	(3)			3
Revenue exp funded from capital under statute	208			(208)
Capital expenditure charged to GF balance	(172)			172
<b>Items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</b>				
Statutory provision for the financing of capital investment	(611)			611
	<b>7,260</b>	<b>0</b>	<b>0</b>	<b>(7,260)</b>
<b>Adjustments primarily involving Capital Grant Unapplied a/c</b>				
Capital grants & contributions unapplied credited to Comprehensive Income & Expenditure Statement	(842)		842	
Application of grants to revenue financing	898		(897)	0
	<b>56</b>	<b>0</b>	<b>(55)</b>	<b>0</b>
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
Transfer of cash sale proceeds credited as part of gain/loss on disposal	(36)	183		(147)

	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Use of reserve to finance new capital expenditure		(322)		322
Capital Receipt against Debtors		45		(43)
Revenue expenditure funded from Capital Receipts		(208)		208
	<b>(36)</b>	<b>(302)</b>	<b>0</b>	<b>340</b>
<b>Adjustments involving the Financial Instrument Adjustment a/c</b>				
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year per statutory requirements	26			(26)
	<b>26</b>	<b>0</b>	<b>0</b>	<b>(26)</b>
<b>Adjustments involving the Pension Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(3,258)			3,258
	<b>(3,258)</b>	<b>0</b>	<b>0</b>	<b>3,258</b>
<b>Adjustments involving the Collection Fund Adjustment A/c</b>				
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year as per statutory requirements	(65)			65
	<b>(65)</b>	<b>0</b>	<b>0</b>	<b>65</b>
<b>Adjustments involving the Employee Benefit Reserve</b>				
Movement on Employee Short Term Compensated Absences	29			(29)
	<b>29</b>	<b>0</b>	<b>0</b>	<b>(29)</b>
<b>Movement during the year</b>	<b>4,012</b>	<b>(302)</b>	<b>(55)</b>	<b>(3,652)</b>

## 5a) Unusable Reserves:

### Summary of Movements

Reserve	Balance as at 1 April 2010 £'000	Net Movement in the Year £'000	Balance as at 31 March 2011 £'000	Purpose of Reserve	Further Detail of Movements
Revaluation Reserve	9,789	2,247	12,036	Account for Revaluation of Assets above net book value	See note (e) below
Capital Adjustment Account	76,711	(6,540)	70,171	Store of capital resources set aside to meet past expenditure	See note (f) below
Financial Instruments Adjustment Account	129	(27)	102	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	See note (g) below
Deferred Capital Receipts	1	0	1	Proceeds from mortgages to be received at a future point	See note (h) below
Employee Benefit Reserve	(68)	(29)	(97)	Balancing account to reflect the accrual for unpaid holiday pay in the Balance Sheet	See note (i) below
Pensions Reserve	(27,667)	5,791	(21,876)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	See note 28 below
Collection Fund Adjustment Account	97	64	161	Reflects the statutory requirement for billing authorities to maintain a separate Collection Fund	
	<b>58,992</b>	<b>1,506</b>	<b>60,498</b>		

## b) Earmarked Reserves

Details of Earmarked Reserves are set out below, arranged to present significant individual reserves and others summarised by Council portfolio:

	31.3.10 £'000	Additions £'000	Released £'000	Applications £'000	31.3.11 £'000
Places	(338)	(64)	107	83	(212)
Flood Recovery	(660)	(69)	573	0	(156)
Finance & Asset Management	(303)	(314)	24	160	(433)
Town Centre Development	(205)	0	228	(89)	(66)
People	(319)	0	161	106	(52)
Housing Benefits	(185)	(6)	148	0	(43)
Housing & Planning	(575)	(7)	155	141	(286)
Planning Delivery Fund	(395)	0	70	0	(325)
Resources	(346)	(117)	40	167	(256)
New Technology Fund	(523)	0	44	246	(233)
Transformation	(796)	0	408	386	(2)
Business	(434)	(19)	123	191	(139)
LABGI	(386)	0	183	20	(183)
Performance & Improvement	(123)	(14)	16	6	(115)
Corporate Strategy Implementation	(410)	0	16	189	(205)
Organisational Improvement Programme	(492)	0	12	420	(60)
Grass Cutting	(243)	0	0	0	(243)
	<b>(6,733)</b>	<b>(610)</b>	<b>2,308</b>	<b>2,026</b>	<b>(3,009)</b>

## c) Capital Receipts Reserve

These are capital receipts which are available to finance new capital expenditure, but have not yet been applied for that purpose.

	2010/11 £'000	2009/10 £'000
Balance as at 1 April	1,451	2,138
Capital Receipts in the year	228	48
Receipts applied during the year	(530)	(735)
<b>Balance at 31 March</b>	<b>1,149</b>	<b>1,451</b>

**d) Capital Grants Unapplied**

Capital Grants Unapplied are grants received towards the funding of capital expenditure. The balance represents grants received but, as yet, not used to finance capital expenditure.

	<b>2010/11 £'000</b>	<b>2009/10 £'000</b>
Balance as at 1 April	(1,266)	(1,102)
Capital Grants received	(843)	(3,487)
Used to finance Revenue Expenditure funded from Capital under Statute	898	1,993
Transferred to Capital Adjustment Account	0	1,330
Balance at 31 March	<b>(1,211)</b>	<b>(1,266)</b>

**e) Revaluation Reserve**

The Revaluation Reserve records gains on revaluation of fixed assets not yet realised through sales.

	<b>2010/11 £'000</b>	<b>2009/10 £'000</b>
Balance as at 1 April	(9,789)	(9,655)
Revaluations during the year	(2,627)	(516)
Historic Cost Adjustment	380	382
Balance at 31 March	<b>(12,036)</b>	<b>(9,789)</b>

**f) Capital Adjustment Account**

The Capital Adjustment Account records the sources of finance through which capital expenditure is funded.

	<b>2010/11 £'000</b>	<b>2009/10 £'000</b>
Balance as at 1 April	76,711	77,819
Depreciation	(1,560)	(1,567)
Amortisation of intangibles	(152)	(113)
MRP	611	641
Revenue Expenditure Funded from Capital under Statute	(1,106)	(534)
Capital receipts used for Financing of capital	322	735
Revenue contribution to capital	173	239
Capital receipt re long term debtor	(43)	(20)
Historic cost adjustment	380	382
Disposal of Fixed Assets	(147)	(1,771)
Impairments	13	(430)
Transfer from Govt Grants Deferred	0	1,330
Capital Receipts used for Revenue Expenditure	208	0
Cap Grants received and utilised	901	0
Revaluation Gain on Investment Property	1,480	0
Revaluation loss on Assets held for sale	(7,620)	0
<b>Balance at 31 March</b>	<b>70,171</b>	<b>76,711</b>

**g) Financial Instruments Adjustment Account**

	<b>2010/11 £000's</b>	<b>2009/10 £000's</b>
Balance as at 1 April	129	1
Discount received	0	155
Discount amortised to revenue	(38)	(38)
Premiums amortised to revenue	11	11
<b>Balance as at 31 March</b>	<b>102</b>	<b>129</b>

**h) Deferred Capital Receipts**

	2010/11 £000's	2009/10 £000's
Balance as at 1 April	1	1
Receipts	0	0
<b>Balance as at 31 March</b>	<b>1</b>	<b>1</b>

**i) Employee Benefit Reserve**

	2010/11 £000's	2009/10 £000's
Balance as at 1 April	(68)	(74)
Additions during the year	(29)	6
<b>Balance as at 31 March</b>	<b>(97)</b>	<b>(68)</b>



## 6.0 Reconciliation of Income and Expenditure Deficit to the Net Cash flow from Operating Activities:

6a Note A to the Cashflow Statement

	£000's	£000's
<b>Net Surplus or (Deficit) on the Provision of Services</b>		<b>(4,282)</b>
<b>Adjust net surplus or deficit on the provision of services for non cash movements</b>		
Depreciation	1,547	
Impairment and downward valuations	7,620	
Amortisation	152	
Increase/Decrease in Creditors	(1,361)	
Increase/Decrease in Interest and Dividend Debtors	43	
Increase/Decrease in Debtors	1,840	
Increase/Decrease in Inventories	(23)	
Pension Liability	(3,259)	
Contributions to/(from) Provisions	384	
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	147	
Carrying amount of short and long term investments sold	25,863	
Movement in Investment Property Values	(1,480)	
		<b>31,474</b>
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>		
Capital Grants credited to surplus or deficit on the provision of services	(845)	
Proceeds from the sale of short and long term investments	(25,863)	
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(183)	
		<b>(26,891)</b>
<b>Net Cash Flows from Operating Activities</b>		<b>301</b>

## 6b Note B to the Cash Flow Statement - Cash Flows from Investing Activities

	£000's	£000's
Property, Plant and Equipment Purchased	(475)	
Purchase of Investment Properties	0	
PFI-payments re: build up of Estimated Residual Value	0	
Add back new Finance Leases (non cash flow item)	0	
Add back PFI assets (non cash flow item)	0	
Opening Capital Creditors	(58)	
Closing Capital Creditors	13	
Movement on other capital creditors	0	
<b>Purchase of Property, Plant and Equipment, investment property and intangible assets</b>		<b>(520)</b>
Purchase of short term investments	(25,363)	
Purchase of long term investments	0	
Purchase of Investments in Associates or Joint Ventures	0	
Purchase of Investments in Subsidiaries	0	
<b>Purchase of short and long term investments</b>	<b>0</b>	<b>(25,363)</b>
Proceeds from the sale of property plant and equipment, investment property and intangible assets		173
Proceeds from short term investments	25,863	
Proceeds from long term investments	0	
<b>Proceeds from short-term and long-term investments</b>		<b>25,863</b>
Other capital cash receipts	53	
Capital Grants Received	750	
<b>Other Receipts from Investing Activities</b>		<b>803</b>
<b>Total Cash Flows from Investing Activities</b>		<b>956</b>

## 6c Note C to the Cashflow Statement – Cash Flows from Financing Activities

	£000's	£000's
Cash receipts of short and long term borrowing		0
Billing Authorities - Council Tax and NNDR adjustments		764
Precepting Authorities Only - Appropriation to/from Collection Fund Adjustment Account		0
Repayment of Short-Term and Long-Term Borrowing		(537)
Other receipts from financing activities		
Payments for the reduction of a finance lease liability	(10)	
Payments for the reduction of a PFI liability	0	
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		(10)
<b>Total Cash Flows from Financing Activities</b>		<b>217</b>

## 6d Note D – Makeup of Cash and Cash Equivalents

	2011 £'000	2010 £'000
Cash and Bank Balances	0	260
Cash Investments - regarded as cash equivalents	3,091	580
Bank Overdraft	(777)	0
	<b>2,314</b>	<b>840</b>

## 7.0 Summary of all Property, Plant and Equipment

	Other Land & Buildings £000	Equipment & Vehicles £000	Infra- structure Assets £000	Community Assets £000	Assets under Construc'n £000	Total £000
<b>Cost or Valuation</b>						
Valuation as at 1 April 2010	38,084	530	17,118	1,947	25	57,704
Additions	22	122	9	61	2	216
Disposals		0	0	0	0	0
Reclassifications	40	0	0	0	0	40
Revaluations Taken to Revaluation Reserve	2,015	0	0	0	0	2,015
Downward Revaluations	(32)	0	0	0	0	(32)
Reverse Downward Revaluations Previously Charged to I&E	0	0	0	0	0	0
<b>Valuation as at 31 March 2011</b>	<b>40,129</b>	<b>652</b>	<b>17,127</b>	<b>2,008</b>	<b>27</b>	<b>59,943</b>
<b>Depreciation</b>						
Accumulated Dep'n at 1 April 2010	(1,125)	(416)	(3,146)	0	0	(4,687)
Depreciation Charge 2010/11	(859)	(68)	(632)	0	0	(1,559)
Depreciation on Disposals	0	0	0	0	0	0
Reval'n – W/Out Dep'n	644	0	0	0	0	644
<b>Accumulated Dep'n at 31 March 2011</b>	<b>(1,340)</b>	<b>(484)</b>	<b>(3,778)</b>	<b>0</b>	<b>0</b>	<b>(5,602)</b>
<b>Impairments</b>						
Accumulated Impairment 1 April 2010	(581)	0	0	0	0	(581)
Impairments 2010/11	13	0	0	0	0	13
Impairments (W/Out Dep'n)	0	0	0	0	0	0
<b>Accumulated Impairments at 31 March 2011</b>	<b>(568)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(568)</b>
<b>Net Book Value at 31 March 2011</b>	<b>38,221</b>	<b>168</b>	<b>13,349</b>	<b>2,008</b>	<b>27</b>	<b>53,773</b>
<b>Net Book Value at 31 March 2010</b>	<b>36,378</b>	<b>114</b>	<b>13,972</b>	<b>1,947</b>	<b>25</b>	<b>52,436</b>
<b>Revaluation Summary</b>						
Reval'n Gains	2,015	0	0	0	0	2,015
Reval'n – W/Out Dep'n	644	0	0	0	0	644
<b>Total Revaluation</b>	<b>2,659</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,659</b>
<b>Nature of Asset holding</b>						
Owned	38,221	154	13,349	2,008	27	53,759
Finance Lease	0	14	0	0	0	14
PFI	0	0	0	0	0	0
	<b>38,221</b>	<b>168</b>	<b>13,349</b>	<b>2,008</b>	<b>27</b>	<b>53,773</b>

## 7.1 Intangible Fixed Assets

Intangible assets are amortised over five years, using a straight line methodology.

	Software licences £000	Intellectual property £000	Total £000
Cost or valuation at 1 April 2010	1,184	70	1,254
Additions/ purchased	257	0	257
<b>Cost At 31 March 2011</b>	<b>1,441</b>	<b>70</b>	<b>1,511</b>
Amortisation at 1 April 2010	(774)	(41)	(815)
Amortisation for the year	(142)	(12)	(154)
<b>Amortisation 31 March 2011</b>	<b>(916)</b>	<b>(53)</b>	<b>(969)</b>
<b>Net book value at 31 March 2011</b>	<b>525</b>	<b>17</b>	<b>542</b>
<b>Net book value at 31 March 2010</b>	<b>410</b>	<b>29</b>	<b>439</b>
<b>Asset financing</b>			
Owned	525	17	542
Finance Leased	0	0	0
<b>Total 31 March 2011</b>	<b>525</b>	<b>17</b>	<b>542</b>

## 7.2 Investment Property

	Total £000 2010/11
Cost or valuation at 1 April 2010	30,240
Additions / purchases	0
Reclassifications	10,455
Disposals	(147)
Revaluations	1,480
Impairments	0
Reversal of impairments	0
<b>At 31 March 2011</b>	<b>42,028</b>
<b>Asset financing</b>	
Owned	42,028
Finance Leased	0
<b>Total 31 March 2011</b>	<b>42,028</b>

Investment properties have been accounted for in accordance with IAS 40. They comprise land and buildings which are held for rental income or capital appreciation.

### 7.3 Assets held for sale

	2010/11 £'000	2009/10 £'000
Opening Balance at 1 April	18,300	18,000
Additions during the year	0	0
Disposals during the year	0	0
Reclassifications	(10,495)	300
Revaluation	(7,620)	0
Impairment	0	0
Reversal of impairment	0	0
<b>Closing Balance at 31 March</b>	<b>185</b>	<b>18,300</b>

#### 7.4 Summary of all assets held at 31 March 2011:

	Number	Total value £'000
<b>Property, Plant &amp; Equipment:</b>		
<b>Land and Buildings</b>		
Office accommodation	6	2,351
Depots & stores	6	520
Public car parks:		
- pay and display	18	16,963
- free	10	459
Public conveniences	29	1,101
Sports & leisure centres	3	9,652
Museums, theatres & public halls	6	7,174
		38,220
<b>Vehicles &amp; Plant</b>		
Vehicles	3	32
Equipment	4	137
		169
<b>Infrastructure Assets</b>		
Various infrastructure works	52	13,349
<b>Community Assets</b>		
Public parks & open spaces	23	1,553
Sports pitches	4	113
Nature reserves	2	56
Cemeteries	10	286
		2,008
<b>Intangible Assets:</b>		
General Software & licences		216
Payroll software		34
Revs/Bens software		272
Solway Discovery Centre-intellectual property		21
		543
<b>Non Current Assets held for sale:</b>		
Land - Ruby Rd, Finkle Street, Washington Street toilets	3	185
<b>Investment property:</b>		
Shops/shopping precincts	4	9,570
Residential	3	297
Industrial estates	9	3,502
Miscellaneous commercial lettings	27	6,412
Miscellaneous vacant land	19	22,247
		42,028
<b>Assets under construction:</b>	2	27
<b>Total asset value at 31 March 2011:</b>		<b>96,529</b>

- 7.5 The Council owns a number of Community Assets which have not been included in the asset register and therefore do not form part of the balance sheet. These are set out below, together with a note of their valuation for insurance purposes.

	<b>Valuation £'000</b>
Maryport Maritime Museum Exhibits, etc	124
Helena Thompson Museum Exhibits, etc	270
Keswick Museum Exhibits	820
The Wave Exhibition including Maritime exhibits	487
Civic Regalia	45

## 7.6 Depreciation

Depreciation is charged for all material Property, Plant and Equipment in compliance with IAS 16 and is calculated on a straight line basis. There have been no changes to the depreciation method used.

	<b>Cumulative Depreciation  01-Apr-10 £'000</b>	<b>Actual Depreciation  2010/11 £'000</b>	<b>Adjustment to Cumulative Depreciation  2010/11 £'000</b>	<b>Cumulative Depreciation  31-Mar-11 £'000</b>
Land and Buildings	1,125	858	(644)	1,339
Equipment and Vehicles	416	68	0	484
Intangible Assets	815	153	0	968
Infrastructure Assets	3,146	632	0	3,778
	<b>5,502</b>	<b>1,711</b>	<b>(644)</b>	<b>6,569</b>

## 7.7 Gains and Losses in Disposal of PPE

<b>2010/11</b>				<b>2009/10</b>		
<b>Gains £'000</b>	<b>Losses £'000</b>	<b>Net Total £'000</b>		<b>Gains £'000</b>	<b>Losses £'000</b>	<b>Net Total £'000</b>
77	(41)	36	Sales of Land & Buildings	0	(1,771)	(1,771)
<b>77</b>	<b>(41)</b>	<b>36</b>		<b>0</b>	<b>(1,771)</b>	<b>(1,771)</b>

## 7.8 Outcome of Componentisation Procedures

The authority has not identified any material additional capital expenditure during the year which requires component accounting.

## 8. Capital Expenditure and Financing

	2010/11 £'000	2009/10 £'000
<b>Capital investment:-</b>		
Property Plant and Equipment	215	1,592
Intangible Assets	257	197
Investment Property	0	0
Revenue Expenditure Funded from Capital under Statute	1,826	2,527
<b>Financing:-</b>		
Borrowing	0	(6)
Capital receipts	(529)	(735)
Government grants and other contributions	(1,596)	(3,336)
Sums set aside from revenue	(173)	(239)
	<b>0</b>	<b>0</b>

## 9. Commitments under Capital Contracts

Outstanding commitments under capital contracts at 31 March 2011 were: -

	2010/11 £'000
Keswick foreshore wall	35
Helena Thompson Museum boiler	1
Derwentside Renewal Area	105
Cemetery boundary walls	4
Maryport Renewal Area	10
	<b>155</b>

## 10. Long Term Debtors

	2010/11 £'000	2009/10 £'000
Housing Associations	41	64
Mortgages	2	2
Officers' Car Loans	19	11
Commercial Organisations	8	23
	<b>70</b>	<b>100</b>



## 11. Debtors and Payments in Advance

	2010/11 £'000	RESTATED 2009/10 £'000
<b>Short Term Debtors</b>		
Central Government bodies	339	2,387
Other Local Authorities	885	345
Public corporations & trading funds	0	0
Bodies external to general government (i.e. all other bodies)	5,203	5,146
	<b>6,427</b>	<b>7,878</b>
Provision for Bad and Doubtful Debts		
- Sundry	(144)	(141)
- Council Tax	(200)	(181)
- Benefits	(515)	(478)
	<b>(859)</b>	<b>(800)</b>
<b>Payments in Advance</b>	11	550
	<b>5,579</b>	<b>7,628</b>

## 12. Inventories

	2010/11 £'000	2009/10 £'000
Inventory	78	55
	<b>78</b>	<b>55</b>

## 13. Long Term Creditors

	2010/11 £'000	2009/10 £'000
Finance Lease on Printers	0	(20)
	<b>0</b>	<b>(20)</b>

## 14. Creditors and Receipts in Advance

	2010/11 £'000	2009/10 £'000
<b>Creditors</b>		
Central Government bodies	(182)	(58)
Other Local Authorities	(1,085)	(1,315)
NHS Bodies	0	0
Public corporations and trading funds	0	0
Bodies external to General Government	(1,470)	(1,385)
HMRC	(192)	(263)
Unpaid Holiday Pay	(98)	(68)
	<b>(3,027)</b>	<b>(3,089)</b>
<b>Receipts in Advance</b>		
Receipts in Advance – General	(564)	(1,589)
Receipts in Advance – Local Authority	(12)	(5)
Receipts in Advance – Government Departments	(209)	(64)
Receipts in Advance – NNDR	0	0
Receipts in Advance – Council Tax	(68)	(61)
	<b>(853)</b>	<b>(1,719)</b>

## 15. Cash and Cash Equivalents

	2010/11 £'000	2009/10 £'000
Cash at Bank	0	260
Short term Investments with maturity of less than 3 months	3,091	580
Bank overdraft	(777)	0
	<b>2,314</b>	<b>840</b>

## 16. Investments

	31-Mar-11 £'000	31-Mar-10 £'000
<b>Long Term</b>		
Miscellaneous Bonds and Annuities	20	20
<b>Short Term</b>		
Managed in-house	4,031	4,574
	<b>4,051</b>	<b>4,594</b>

## 17. External Borrowing

### Sources of Borrowing

	As at 31-Mar-11 £'000	As at 31-Mar-10 £'000
Long Term Borrowing		
Public Works Loan Board	10,028	10,069
Local Bonds	30	30
Trust Funds	70	70
Short Term Borrowing (includes accrued interest)	387	883
	<b>10,515</b>	<b>11,052</b>

### Analysis of loans by maturity

	As at 31 March 2011 £'000	As at 31 March 2010 £'000
Less than 1 year	387	883
Between 1 & 2 years	144	141
Between 2 & 5 years	156	143
Between 5 & 10 years	368	338
More than 10 years	9,460	9,547
	<b>10,515</b>	<b>11,052</b>

## 18. Financial Instruments

In managing financial instruments, the Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and has set treasury indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

### a) Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instrument:

#### i) Financial Liabilities held at Amortised Cost

	Long-Term		Current	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Borrowing	10,128	10,169	387	883
Operational Creditors	0	0	1,868	2,585
Bank Overdraft	0	0	0	0
<b>Total</b>	<b>10,128</b>	<b>10,169</b>	<b>2,255</b>	<b>3,468</b>

ii) **Loans and Receivables held at Amortised Cost**

	Long-Term		Current	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Investments	20	20	4,031	4,574
Long term debtors	70	120	0	0
Operational Debtors (Gross)	0	0	4,279	3,959
Cash & Cash Equivalent	0	0	3,183	840
<b>Total</b>	<b>90</b>	<b>140</b>	<b>11,493</b>	<b>9,373</b>

NB Operational debtors shown gross before bad debts provision applied (now classed as an impairment loss – see (c) below).

**b) Gains and Losses on Financial Instruments**

The Gains and Losses recognised in the Comprehensive Income and Expenditure Statement in 2010/11, in relation to financial instruments are made up as follows:

	2010/11			2009/10		
	Financial Liabilities Amortised Cost £'000	Financial Assets Loans and Receivables £'000	Financial Assets Fair Value £'000	Financial Liabilities Amortised Cost £'000	Financial Assets Loans and Receivables £'000	Financial Assets Fair Value £'000
Interest Costs	737			616		
Impairment Losses (Bad Debt Provision)		144			141	
<b>Interest Payable and Similar Charges</b>	<b>737</b>	<b>144</b>	<b>0</b>	<b>616</b>	<b>141</b>	<b>0</b>
Interest Income		(130)			(263)	
<b>Interest &amp; Investment Income</b>	<b>0</b>	<b>(130)</b>	<b>0</b>	<b>0</b>	<b>(263)</b>	<b>0</b>
<b>Net Gain/(Loss) for year</b>	<b>737</b>	<b>14</b>	<b>0</b>	<b>616</b>	<b>(122)</b>	<b>0</b>

### c) Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The fair value of PWLB debt has been provided, for both 31 March 2010 and 31 March 2011 by the Public Works Loan Board. The figures have been calculated by reference to the premature repayments set of rates in force on those days
- early repayment or impairment is not recognised
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- the fair value of operational liabilities and receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31-Mar-11		31-Mar-10	
	Carrying Amount £'000	Fair value £'000	Carrying Amount £'000	Fair Value £'000
<b>Financial Liabilities:</b>				
PWLB debt	10,068	15,651	10,105	15,276
Other	101	101	121	121
<b>Financial Assets:</b>				
Loans and receivables	4,121	4,136	4,694	4,694

#### Financial Liabilities

The fair value is more than the carrying amount because the Council's loan portfolio includes a number of fixed rate loans where the interest payable is more than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to the early repayment of the loans.

#### Financial Assets

The fair value is the same as the carrying amount because the Council's investment portfolio includes fixed rate investments where the interest receivable is identical to the rates available for similar loans at the Balance Sheet date.

#### d) Nature and Extent of Risks arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates.

The Council's annual treasury management strategy focuses on those risks and seeks to minimise potential adverse effects on the resources available to fund services. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

##### i) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score for a short term rating of F1 and for deposits in excess of three months, a minimum long term rating of AA-. The Council has a policy of not lending any more than £4 million of its surplus balances to one institution at any one time.

Customers are encouraged to pay up front and the financial position and past experience of customers is monitored.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last three financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2011	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2011	Estimated Maximum exposure to default and uncollectability
	£'000	%	%	£'000
	A	B	C	(A X C)
Deposits with banks and financial institutions	7,122	0	0	0
Customers (Debtors)	4,279	2.0	3.0	128
				128

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits with banks and financial institutions.

The debt outstanding in respect of customers considered as part of the credit risk analysis relates to contractual debt and forms part of the total debtors figure within the balance sheet. The figure for customers' debt is derived as follows:

	£'000	£'000
Long Term Debtors		70
Debtors (Gross)	6,438	
Payments in advance	(332)	6,106
		6,176
Non contractual debtors		(1,897)
		<b>4,279</b>

The Council makes provision to cover potential bad debts within its accounts. The level of provision at 31 March 2011 is as follows:

	£'000
Balance at 1 April 2010	141
Increase in required provision	3
<b>Balance at 31 March 2011</b>	<b>144</b>

The Council generally expects its customers to settle outstanding accounts within 28 days. £1,072,000 of the outstanding debt is past its due date for payment. The aged debt analysis of this debt is as follows:

	£'000
1 to 6 months	672
6 to 12 months	28
Over 12 months	372
	<b>1,072</b>

## ii) Liquidity risk

As the Council has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will need to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy adopted to manage the position is to ensure a smooth maturity profile through a combination of careful planning of new loans taken out and, (where it is economic to do so), making early repayments, or rescheduling.

The maturity analysis of financial liabilities is as follows:

	£'000
Less than 1 year - Creditors	3,395
- Borrowings	387
Between 1 and 2 years -	144
Between 2 and 5 years	156
Between 5 and 10 years	368
More than 10 years	9,460
	<b>13,910</b>

All trade and other payables are due to be paid in less than one year.

### iii) Market Risk

#### Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and therefore affect the General Fund Balance. Investments managed in house are not carried in the Balance Sheet at fair value, so nominal gains and losses on fixed rate financial instruments have no impact on the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The policy operated is to aim to permit up to a maximum of 100% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed loan rates may be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The Council undertakes its borrowing and investment function within parameters set out in its Treasury Management Strategy, which assess interest rate exposure to feed into the budget process and which is used to update the budget throughout the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31<sup>st</sup> March 2011, if interest rates had been 1% higher than the average of all variable rates, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	10
Impact on Comprehensive Income & Expenditure Statement	10
Increase/(Decrease) in fair value of fixed value borrowings (no impact on CI & E Statement)	(2,280)



Although interest rates are at a historical low, the financial impact of a 1% fall in rates would be:

	£'000
Decrease in interest payable on variable rate borrowings	0
Decrease in interest receivable on variable rate investments	(10)
Impact on Comprehensive Income & Expenditure Statement	(10)
Increase/(Decrease) in fair value of fixed value borrowings (no impact on CI & E Statement)	3,022

## 19. Trading Concerns

The Council operates a number of Industrial Estates within the Borough. The financial results for the operation are as follows:

	2010/11 £'000	2009/10 £'000
Expenditure	48	69
Income	(268)	(230)
<b>(Surplus)/Deficit</b>	<b>(220)</b>	<b>(161)</b>

## 20. Audit Costs

In 2010/11, the Council incurred the following fees relating to external audit and inspection work:

	2010/11 £'000	2009/10 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	122	113
Fees payable to the Audit Commission in respect of statutory inspection	0	0
Fees payable to the Audit Commission for the certification of grant claims and returns	31	60
Fees payable in respect of other services provided by the appointed auditor	0	0
	<b>153</b>	<b>173</b>

## 21. Members' Allowances and Officers Remuneration

- a) The total allowances paid to Members in 2010/11 were £255,236.99. (£268,203 in 2009/10).
- b) The number of employees whose remuneration, excluding pension contributions, was £50,000 or more, in bands of £5,000 was:

Remuneration Band	Number of Employees	
	2010/11	2009/10
£50,000 - £54,999	2	1
£55,000 - £59,999	3	1
£60,000 - £64,999	0	0
£65,000 - £69,999	0	0
£70,000 - £74,999	0	2
£75,000 - £79,999	0	0
£80,000 - £84,999	0	2
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0
£95,000 - £99,999	0	1
£100,000 - £104,999	1	0
<b>TOTAL</b>	<b>6</b>	<b>7</b>

Remuneration for Senior Employees 2010/11						
Post Title	Salary (including fees and allowances)	Expense Allowances	Compensation for loss of office	Total Remuneration excluding pension contributions 2010/11	Pension contributions	Total Remuneration including pension contributions 2010/11
Chief Executive	99,999.96	2,455.50	0.00	102,455.46	19,599.96	122,055.42
Deputy Chief Executive	47,142.50	7,052.26	0.00	54,194.76	9,239.95	63,434.71
Strategic Manager Business	52,833.31	2,688.43	0.00	55,521.74	10,485.98	66,007.72
Strategic Manager People	52,833.31	3,591.52	0.00	56,424.83	10,485.98	66,910.81
Strategic Manager Places	52,833.31	4,731.73	0.00	57,565.04	10,844.66	68,409.70
Strategic Manager Resources	43,555.59	7,624.26	0.00	51,179.85	8,536.92	59,716.77
	<b>349,197.98</b>	<b>28,143.70</b>	<b>0.00</b>	<b>377,341.68</b>	<b>69,193.45</b>	<b>446,535.13</b>

**Note 1** – The Deputy Chief Executive was appointed on 2 August 2010. The annualised salary was £71,000.

**Note 2** – The Strategic Manager – Resources – was appointed on 21 June 2010. The annualised salary was £56,000.

Remuneration for Senior Employees 2009/10						
Post Title	Salary (including fees and allowances)	Expense Allowances	Compensation for loss of office	Total Remuneration excluding pension contributions 2009/10	Pension contributions	Total Remuneration including pension contributions 2009/10
Chief Executive	98,183.32	1,324.48	0.00	99,507.80	18,458.52	117,966.32
Director of Partnerships & Communities	69,761.73	1,238.94	0.00	71,000.67	12,904.56	83,905.23
Director of Strategic Resources	32,281.76	614.50	50,072.00	82,968.26	5,771.20	88,739.46
Director of Customer Services	52,274.12	113.75	19,157.65	71,545.52	0.00	71,545.52
Strategic Manager Business	12,999.99	518.21	0.00	13,518.20	2,444.01	15,962.21
Strategic Manager People	12,999.99	714.38	0.00	13,714.37	2,444.01	16,158.38
Strategic Manager Places	12,999.99	195.00	0.00	13,194.99	2,444.01	15,639.00
Head of Regeneration	41,684.77	0.00	0.00	41,684.77	7,654.70	49,339.47
Head of Environment	40,864.75	19.04	0.00	40,883.79	7,679.75	48,563.54
Head of Finance	57,158.27	73.00	23,406.57	80,637.84	9,995.78	90,633.62
	<b>431,208.69</b>	<b>4,811.30</b>	<b>92,636.22</b>	<b>528,656.21</b>	<b>69,796.54</b>	<b>598,452.75</b>

**Note 1** – The Director of Strategic Resources was made redundant on 11 September 2009. The annualised salary was £68,641.

**Note 2** – The Director of Customer Services was made redundant on 31 January 2010. The annualised salary was £66,592.

**Note 3** – The Senior Management Structure was implemented from 1 January 2010, when 3 of the Strategic Managers were appointed. The annualised salary would be £52,000.

**Note 4** – Two of the Strategic Managers that were appointed from 1 January 2010, were employed as Head of Regeneration and Head of Environment prior to their new appointments.

## 22. Related Party Transactions

The 2010 Accounting Code of Practice requires information in respect of material transactions with related parties to be disclosed. A number of these transactions have already been disclosed within the financial statements as follows:

- a) Transactions with Central Government and Parish Councils have been disclosed within the Comprehensive Income and Expenditure Statement, Cashflow Statement and Collection Fund Account.
- b) Transactions with the County Council and Police Authority are disclosed in the Collection Fund Account
- c) Transactions with the Pension Fund are disclosed in the Statement of Accounts and note 29.

The following are the material transactions with related parties, which were undertaken in 2010/11, and which are not disclosed elsewhere within the Accounts:

Related Party and Declared Relationships	Income £	Expenditure £	Balance at Year end £
Age Concern 1 Trustee 1 Director	377	16,000	0
Citizens Advice Bureau 1 Board Member 1 Trustee	9,888	16,250	0
Cumbria Community Foundation 1 Director 1 Panel Member	0	30,000	0
Cumbria Law Centre (Carlisle) 1 Panel Member	12	35,884	0
Cumbria Tourism 1 Director	0	29,694	0
Maryport & North Allerdale Credit Union 1 Member	0	12,873	0
Maryport Developments Ltd 1 Director	14,480	91,400	0
North Allerdale Development Trust 1 Director	0	23,988	0
Theatre by the Lake 1 Volunteer	3,962	149,387	0
West Cumbria Development Agency / Trust 1 Director	0	30,000	0

## 23. Leases

### 23.1 Finance Lease

The Council entered into a Leasing agreement with Xerox for 2 printers in 2003 which was classified as an Operating lease until 2009-10. Under new IFRS regulations it has been classified as a Finance Lease.

The assets are carried under Property, Plant and Equipment in the Balance Sheet at the following amounts:

	31-Mar-11	31-Mar-10
Equipment	14,800	24,000

The minimum lease payments are made up of the following amounts:

	31-Mar-11	31-Mar-10
<b>Finance Lease Liabilities</b>		
Current	20,130	10,174
Non-Current		20,130
Finance Costs Payable in the future	7,182	18,857
<b>Minimum Lease Payments</b>	<b>27,312</b>	<b>49,161</b>

The Council used to pay secondary rentals against small equipment until 2009/10 but the Council acquired this equipment in 2010/11 against a small payment.

## 23.2 Operating Lease

The Council uses wheeled bins and various items of small equipment financed under the terms of an operating lease. The Council acquired these bins and equipment in 2010/11 for a small charge.

The amount paid under these arrangements in 2010/11 was £2,416 (2009/10 £2,210).

The Council uses some rental housing units for homeless people. It also rents a Multi-Storey car park in Workington as well as other car parks in Keswick

The Council rents a few vehicles for its own use. The details of minimum lease payments are as follows:

<b>ABC as Lessee of Operating leases</b>			
	<b>Future minimum rent payable &lt; 1 yr</b>	<b>Future minimum rent payable btwn 2-5 yrs</b>	<b>Future minimum rent payable &gt; 5 yrs</b>
Property Leases	394,400	955,792	5,565,268
Ground rent	14,000	0	0
Vehicles	29,891	25,622	0
	<b>438,292</b>	<b>981,414</b>	<b>5,565,268</b>

The Council acts as a lessor in respect of land and property owned by it and leased to tenants. The future minimum lease payments due under these arrangements are as follows:

<b>ABC as Lessor of Operating leases</b>			
	<b>Future minimum payments receivable &lt; 1 yr</b>	<b>Future minimum payments receivable btwn 2-5 yrs</b>	<b>Future minimum payments receivable &gt; 5 yrs</b>
Small Licence Allotment	25,715	0	0
Industrial Land	235,543	782,100	10,342,840
Shops/sub station	897,059	3,198,564	65,578,207
	<b>1,158,317</b>	<b>3,980,664</b>	<b>75,921,047</b>

## 24. Service Expenditure Analysis

	Portfolios			Total £'000
	Housing & Planning £'000	People £'000	Places £'000	
Fees, charges & other service income	(1,653)	(1,116)	(6,855)	(9,624)
Government grants	(73)	(32,513)	0	(32,586)
Support Service Recharges	(1,964)	(4,073)	(1,782)	(7,819)
<b>Total Income</b>	<b>(3,690)</b>	<b>(37,702)</b>	<b>(8,637)</b>	<b>(50,029)</b>
Employee expenses	1,528	2,195	1,295	5,018
Other operating expenses	2,217	34,098	10,728	47,043
Support Service Recharges	2,642	4,560	2,690	9,892
<b>Total operating expenses</b>	<b>6,387</b>	<b>40,853</b>	<b>14,713</b>	<b>61,953</b>
<b>Cost of Services</b>	<b>2,697</b>	<b>3,151</b>	<b>6,076</b>	<b>11,924</b>

## 25. Reconciliation to Net Cost of Services in the Comprehensive Income and Expenditure Statement

	£'000
Cost of Services in Service Analysis	11,924
Add: Services not included in main analysis	4,958
Add: Amounts not included in the analysis but included in Comprehensive Income and Expenditure Statement	(3,699)
Remove: amounts included in main analysis but not in Comprehensive Income and Expenditure Statement	0
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>13,183</b>



## 26. Reconciliation to Subjective Analysis

Reconciliation to Subjective Analysis	Service Analysis £'000	Services not in Analysis £'000	Not reported to Mngmnt £'000	Not included in I&E £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(9,624)	(3,339)	0	0	(12,963)	(9,506)	(22,469)
Interest and investment income	0	0	0	0	0	0	0
Income from council tax	0	0	0	0	0	(5,792)	(5,792)
Government grants and contributions	(32,586)	(5)	0	0	(32,591)	(2,768)	(35,359)
Recharges	(7,819)	(4,979)	0	0	(12,798)	0	(12,798)
Exceptional items	0	(3,699)	0	0	(3,699)	0	(3,699)
<b>Total Income</b>	<b>(50,029)</b>	<b>(12,022)</b>	<b>0</b>	<b>0</b>	<b>(62,051)</b>	<b>(18,066)</b>	<b>(80,177)</b>
Employee expenses	5,018	3,279	0	0	8,297	0	8,297
Other service expenses	47,043	5,574	0	0	52,617	0	52,617
Support Service recharges	9,892	4,428	0	0	14,320	0	14,320
Revaluations	0	0	0	0	0	6,140	6,140
Interest Payments	0	0	0	0	0	607	607
Precepts & Levies	0	0	0	0	0	1,158	1,158
Pension Interest costs	0	0	0	0	0	1,295	1,295
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	(35)	(35)
<b>Total operating expenses</b>	<b>61,953</b>	<b>13,281</b>	<b>0</b>	<b>0</b>	<b>75,234</b>	<b>9,165</b>	<b>84,399</b>
<b>Surplus or deficit on the provision of services</b>	<b>11,924</b>	<b>1,259</b>	<b>0</b>	<b>0</b>	<b>13,183</b>	<b>(8,901)</b>	<b>4,282</b>

## 27. Provisions

Liabilities in the Balance Sheet include the following provisions:

	2010/11 £'000	2009/10 £'000
Insurance Excess Provision	242	242
Early Retirement	0	8
Government Departments	0	19
Curwen Land Slip	411	0
Job Evaluation	55	55
	<b>708</b>	<b>324</b>

### Insurance

Within the provisions shown on the Balance Sheet is an amount of £242,000 which has been set aside to meet uninsured liabilities, such as the £5,000 excess on the Council's Public Liability and Employer's Liability insurance in respect of notified claims and claims incurred but not reported. There have been no movements on this provision during the year

## **Notified Claims**

At 31 March 2011, the gross estimated value of settlement costs in respect of outstanding notified liability claims was £226,850. Of this, the Council is liable to pay £61,250 and the Council's insurers the balance of £165,600.

Claims incurred but not reported:

At 31 March 2011, the Council's estimated liability in respect of claims incurred but not reported was £105,000.

## **Curwen Land Slip**

A landslip has occurred on land adjoining Council owned land which has impacted upon land which is within the ownership of the Council. The Council has been investigating ownership of the land on which the landslip occurred and has been in dispute over the Council's liabilities in connection with the landslip. Advice has been sought from Counsel and a provision of £411k has been made for the potential costs of reinstating the land.

## **Job Evaluation**

This outstanding provision is required to complete the final elements of the Single Status Part 3 payments. It is expected that these payments will be finalised during 2011/12.

# **28. Future Accounting Standards disclosures**

## **Heritage Assets (FRS 30)**

The Code of Practice on Local Authority Accounting 2011/12 has introduced a change in accounting policy in relation to the treatment of Heritage Assets held by the authority in the 2011/12 financial statements.

Heritage Assets are those assets that are held by the authority principally for their cultural, environmental or historical associations

The authority has a significant number of museum and gallery artefacts and works of art, held at Helena Thompson Museum, Maryport Maritime Museum, Keswick Museum and The Wave. The authority is of the view that it will not be cost effective to value these items for the purpose of the requirements under FRS 30, as it would require the services of expert valuers.

The authority also owns mayoral chains and a ceremonial mace, currently valued at £45,000 for insurance purposes and these will be introduced to the Balance Sheet at this value in 2011/12.

## **29. Pensions**

### **Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers and other employees, the Council offers post employment (retirement) benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make these payments that needs to be disclosed at the time that employees earn their future entitlement.

Allerdale Borough Council participates in the Local Government Pension Scheme for civilian employees, administered by Cumbria County Council. This is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

## Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post employment (retirement) benefits is reversed out in the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

<b>Local Government Pension Scheme</b>		
<b>Comprehensive Income and Expenditure Statement</b>	<b>2010/11 £'000</b>	<b>2009/10 £'000</b>
<i>Cost of Services</i>		
○ current service cost	1,104	843
○ past service costs (gains)	(4,326)	0
○ curtailment costs	288	785
<i>Financing and Investment Income and Expenditure</i>		
○ interest cost	4,066	3,791
○ expected return on assets in the scheme	(2,771)	(2,200)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(1,639)</b>	<b>3,219</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
Actuarial (gains) and losses	(2,531)	8,573
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(4,170)</b>	<b>11,792</b>
<b>Movement in Reserves Statement</b>		
○ reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	<b>1,639</b>	<b>(3,219)</b>
Actual amount charged against the General Fund Balance for pensions in the year:		
○ employers' contributions payable to scheme	<b>1,619</b>	<b>2,264</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is £8,116,000.

## Assets and Liabilities in relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities:

Local Government Pension Scheme		
	2010/11 £'000	2009/10 £'000
Opening balance as at 1 April	73,494	54,354
Current Service Cost	1,104	843
Interest Cost	4,066	3,791
Contributions by scheme participants	395	477
Actuarial Gains / Losses	(3,023)	16,473
Benefits Paid	(3,291)	(3,229)
Past Service Costs	(4,326)	0
Curtailments	288	785
<b>Closing Balance as at 31<sup>st</sup> March</b>	<b>68,707</b>	<b>73,494</b>

Reconciliation of present value of the scheme assets:

Local Government Pension Scheme		
	2010/11 £'000	2009/10 £'000
Opening balance as at 1 <sup>st</sup> April	45,827	36,215
Expected rate of return	2,771	2,200
Actuarial gains and losses	(492)	7,900
Employer contributions	1,619	2,264
Contributions by scheme participants	395	477
Benefits Paid	(3,291)	(3,229)
<b>Closing balance as at 31<sup>st</sup> March</b>	<b>46,829</b>	<b>45,827</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemptions yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on the scheme plan assets is £3,498,000 in 2010/11 (£10,100,000 in 2009/10.)

### Scheme History

	Local Government Pension Scheme				
	2010/11	2009/10	2008/09	2007/08 as restated	2006/07 as restated
Present value of liabilities	68,707	73,494	54,354	64,329	57,394
Fair value of assets	46,829	45,827	36,215	45,027	45,921
Surplus / (deficit) in the scheme	(21,878)	(27,667)	(18,139)	(19,302)	(11,473)

The liabilities show the underlying commitments that the authority has in the long-run to pay post employment (retirement) benefits. The total liability of £21.8 million has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, as the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Cumbria County Council Pension Scheme by the Council in the year to 31 March 2012 is £1.3 million.

### **Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The County Council Fund liabilities have been assessed by Mercers Human Resource Consulting Limited, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme at 31 March 2010.

The principal assumptions used by the actuary have been

<b>Local Government Pension Scheme</b>		
	<b>2010/11</b>	<b>2009/10</b>
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity investments	7.5%	7.5%
Government Bonds	4.4%	4.5%
Other Bonds	5.1%	5.2%
Property	6.5%	6.5%
Cash / Liquidity	0.5%	0.5%
Other	7.5%	7.5%
<b>Mortality assumptions</b>		
Longevity at 65 for current pensioners:		
- Men	21.8 yrs	21.2 yrs
- Women	24.4 yrs	24.1 yrs
Longevity at 65 for future pensioners:		
- Men	23.2 yrs	22.2 yrs
- Women	26.0 yrs	25.0 yrs
Rate of inflation	3.4%	3.3%
Rate of increase in salaries	4.65%	5.05%
Rate of increase in pensions	2.9%	3.3%
Rate for discounting scheme liabilities	5.5%	5.6%
Take up of option to convert annual pension into retirement lump sum		50% take max cash, 50% take 3/80 <sup>th</sup> cash

The County Council Pension Fund assets consist of the following categories, by proportion of the total assets held:

<b>Local Government Pension Scheme</b>		
	<b>2010/11</b>	<b>2009/10</b>
Equity investments	51.6%	53.1%
Government Bonds	18.0%	20.4%
Other Bonds	14.0%	9.8%
Property	6.1%	5.8%
Cash / Liquidity	1.6%	2.3%
Other	8.7%	8.6%
<b>TOTAL</b>	<b>100.00%</b>	<b>100.00%</b>

The latest notified market value of total fund assets is £1,387 million, (£1,278 million at last valuation).

### **History of experience gains and losses**

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	<b>Local Government Pension Scheme</b>				
	<b>2010/11</b>	<b>2009/10</b>	<b>2008/09</b>	<b>2007/08 as restated</b>	<b>2006/07 as restated</b>
Differences between the expected and actual return on assets	(1.05)%	(17.2)%	(30.4)%	(8.4)%	0.6%
Experience gains and losses on liabilities	(4.4)%	(22.4)%	(24.2)%	6.0%	0.0%

Further information can be found in Cumbria County Council's Superannuation Funds Annual Report which is available upon request from the Treasurer's Department, The Courts, Carlisle, Cumbria, CA3 8NA.

### 30. Interest in Companies

At 31 March 2011, the Council owned 9.5% of the Share Capital of Maryport Development Limited, a company engaged upon the economic regeneration of the town of Maryport. It is a private limited company and the council's liability is limited to its share of share capital. The accounts of that company, (which carry an unqualified audit report), made up to 31 March 2010, show a profit for the year of £175,547 (accumulated losses £781,270) and no net liability.

The accounts for the period to 31 March 2011 are not yet available. A copy of the accounts of Maryport Development Limited may be obtained from:

The Company Secretary  
Maryport Development Company  
Marine Road  
Maryport  
Cumbria  
CA15 8AY

### 31. Trust Funds

The Council has stewardship and trustee responsibilities for various funds. These funds do not represent assets of the Council and are not included in the Balance Sheet. They are summarised below:

	2010/11			Balance at 01-Apr-10 £
	Balance 31-Mar-11 £	Expenditure £	Income £	
Home Improvement Agency	0	0	0	0
Harrington Harbour & Dock Board	(38,797)	0	(193)	(38,604)
Hugh Barbour Bequest	(8,448)	0	(42)	(8,406)
George Moore Memorial Trust	(1,908)	0	(22)	(1,886)
Helena Thompson Museum	(12,057)	350	(62)	(12,345)
	<b>(61,210)</b>	<b>350</b>	<b>(319)</b>	<b>(61,241)</b>

The purpose of the funds is given below.

**Harrington Harbour & Dock Board** The trust exists to keep the harbour in good and substantial repair and condition.

**Hugh Barbour Bequest** The trust exists to follow the outline of the bequest.

**George Moore Memorial Trust** The trust exists to keep in good condition the George Moore Memorial Drinking Fountain, its pipes and apparatus. The trust also benefits the Bible Society.



**Helena Thompson Museum** The trust exists to maintain in good repair and condition the museum property, to support the purchase of antiques and articles of local interest for the museum and to fund the general expenses of the museum.

## **32. Contingent Assets and Liabilities**

### **Home Housing Association**

During 1987 the Council entered into a joint scheme with Home Housing Association to secure the development of five sites in Workington, Silloth, Cockermouth and Keswick for houses to rent. Home Housing Association has, in three tranches, raised £100 million of stock which will mature in 2037. In order to enable Home Housing Association to raise private finance from institutional investors, all participating authorities were required to enter into a standard form of Guarantee in which they jointly and severally guarantee the loan stock raised by Home Housing Association to fund the development programme. There are nineteen authorities participating in the scheme. The total liability to be guaranteed by participating authorities will be £100 million. This will continue in force until 2037 when the loan stock falls due to be repaid.

The strict liability of each authority under guarantee would be £100 million and, because the liability is joint and several, authorities would obviously not be prepared to expose themselves to the risk, however remote, of having to meet the full liability of the borrowing under their individual guarantee. There is a Counter Indemnity and Contribution arrangement whereby each participating Authority undertakes to reimburse any other authority or authorities paying more than their proportionate share of the guarantee. An authority's proportionate share is determined by reference to the estimated development expenditure in that authority's area. If the Guarantee were called in, the worst situation for the Council would be that once it had recovered any contribution from other authorities, it would be left to fund no more than the cost of the development in its own area. This cost would be offset wholly, or partly, by the sums recovered from repossessing the units from Home Housing Association and selling them on. The latest schedule of guarantee levels indicates the Council's Estimated Development Expenditure at £4,106,000 from an overall total of £84,100,000.

### **Municipal Mutual Insurance**

In 1992/93 the Council's insurers, Municipal Mutual Insurance (MMI), ceased trading and entered into a scheme of arrangement. This arrangement enabled MMI to continue to deal with and pay liability claims arising from incidents up to 1993 with the aim of achieving a solvent run off. Under the scheme of arrangement if a solvent run off is not achievable a percentage of claims payments made since 1993 could not be clawed back by MMI.

The latest indications are that a solvent run-off may not be achieved. In the event that it is not, potential liabilities remain in respect of: one claim received during 2008/9 with an outstanding estimated cost of £18,427, if not met by MMI; potential clawback estimated at 20% of net claim payments totalling £380,844 made by MMI since 1993; and the cost of any new claims which may arise, should this not be met by MMI.

## Group Repair Scheme – Workington

In response to complaints in respect of the Group Repair Schemes carried out in Workington, the Council commissioned an independent survey and report to be undertaken on the issues raised by the complainants. An initial assessment of the costs of rectification and any potential compensation has been estimated at £150,000. The Council considers that the Contractors are responsible for any rectification works and associated costs and have sent a copy of the report to the relevant contractors.

## Option Agreement – Land at Workington

In 2006 the Council entered into two option agreements in respect of land at Workington. An Option Notice was served on the Council on 30<sup>th</sup> December 2010. The Council has considered this Option Notice invalid, however the developer disagrees with this view. The Council is currently in negotiations with the developer in respect of the Council owned land, however there remains a possibility that a Completion Notice could be served on the Council and legal proceedings could follow.

## North Allerdale Development Trust

The Wigton Market Hall and Community Centre were transferred from the Council to NADT in January 2010. Refurbishment works were completed prior to the transfer. These were funded by Big Lottery grant, and the Council acted as the Accountable Body for the grant.

The Trust has recently encountered financial difficulties, and in April 2011, following a request from the Trust and a review by Scrutiny of the decision, the Executive confirmed a short term grant of £10,000. This was made to assist the Trust in its survival whilst developing a new business plan and also to enable the Council to better understand its liabilities should the Trust hand back its leases through insolvency.

If the Council closed the building down and did not find an alternative organisation similar to the Trust to run it, it would be liable for a lottery claw back in the region of £700k although this would reduce over time. This has been confirmed by the Lottery although it would be unlikely to seek immediate claw back, but would instead work with the Council.

## 33. Capital Grants Credited to Taxation and Non-Specific Grant Income

	2010/11 £'000
DCLG- Housing Allocation	747
DCLG- Disabled Facilities Grant	54
Maryport THI	44
<b>Total</b>	<b>845</b>

### **34. Capital Receipts arising other than from Disposal of Fixed Asset**

Statutorily defined capital receipts that do not arise from the disposal of a fixed asset are credited to the Income and Expenditure Account, as Other Gains, with a consequent credit to the Capital Receipts Reserve from the General Fund Balance and are shown as a reconciling item on the Movement in Reserves Statement.

Payments received in 2010/11, totalled £10,000 in respect of a drainage easement granted.

## 35. Restatement of 2009/10 Statements from UK GAAP to IFRS

### Reconciliation of Balance Sheet at 1 April 2009- Restatement from UK GAAP to IFRS:

	UK GAAP	IFRS								
	UK GAAP	Property	Presentati on	Employee Benefits	Grants	Invest. Property	Property classificati on	Cash and cash equiv.	Total	IFRS
	31-Mar-09	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	01-Apr-09
Property, Plant & Equipment	53,936		34						34	53,970
Investment Properties	18,180	5,719					6,754		12,473	30,653
Intangible Assets	354								0	354
Investments	20								0	20
Asset held for disposal	24,769						(24,769)		(24,769)	0
Trade and other receivables	138		(20)						(20)	118
<b>Long Term Assets</b>	<b>97,397</b>									<b>85,115</b>
Inventories	45								0	45
Trade and other receivables	6,055		20						20	6,075
Investments/Finacial Assets	14,868							(10,334)	(10,334)	4,534
Cash and Cash Equivalents	227							10,334	10,334	10,561
Assets held for sale	0						18,015		18,015	18,015
<b>Current Assets</b>	<b>21,195</b>									<b>39,230</b>
Trade and other payables	(4,930)			(74)					(74)	(5,004)
Short Term Borrowing	(290)		(307)						(307)	(597)
Provisions	0		(1,231)						(1,231)	(1,231)
Liabilities in disposal groups	0								0	0
<b>Current Liabilities</b>	<b>(5,220)</b>									<b>(6,832)</b>
Trade and other payables	0								0	0
Provisions	(1,461)		1,231						1,231	(230)
Government Grants Deferred	(10,311)				10,311				10,311	0
Unapplied Capital Grants	(1,102)				1,102				1,102	0
Borrowings	(16,474)		270						270	(16,204)
Defined Benefit Pension	(18,138)								0	(18,138)
<b>Non Current Liabilities</b>	<b>(47,486)</b>									<b>(34,572)</b>
<b>Net Assets</b>	<b>65,886</b>									<b>82,941</b>
Revaluation reserve	10,899					(1,244)			(1,244)	9,655
Capital Adjustment Account	60,548	5,719	(3)		10,311	1,244			17,271	77,819
Financial Instrument Adjust.	1								0	1
Deferred Capital Receipts	1								0	1
Capital Grants Unapplied	0				1,102				1,102	1,102
Usable Capital Receipts Res.	2,138								0	2,138
Pension Reserve	(18,138)								0	(18,138)
Collection Fund Adjustment	87								0	87
Employee Benefit Reserve	0			(74)					(74)	(74)
General Reserve	4,306								0	4,306
Earmarked Reserve	6,044								0	6,044
<b>Total Reserves</b>	<b>65,886</b>									<b>82,941</b>

**Reconciliation of Balance Sheet at 31 March 2010- Restatement from UK GAAP to IFRS:**

	UK GAAP	IFRS								
		Property	Presentat ion	Employee Benefits	Grants	Invest Prop.	Property classificati on	Cash & cash equiv.	Total	IFRS
	31-Mar-10	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	31-Mar-10
Property, Plant & Equipment	52,412		24						24	52,436
Investment Properties	18,669	4,817					6,754		11,571	30,240
Intangible Assets	438								0	438
Investments	20								0	20
Surplus Assets	29,871	(5,102)					(24,769)		(29,871)	0
Trade and other receivables	120		(22)						(22)	98
<b>Long Term Assets</b>	<b>101,530</b>									<b>83,232</b>
Inventories	55								0	55
Trade and other receivables	7,608		22						22	7,630
Investments/Finacial Assets	5,154							(580)	(580)	4,574
Cash and Cash Equivalents	260							580	580	840
Assets held for sale	0	285					18,015		18,300	18,300
<b>Current Assets</b>	<b>13,077</b>									<b>31,399</b>
Trade and other payables	(4,730)			(68)					(68)	(4,798)
Short Term Borrowing	(883)		(10)						(10)	(893)
Provisions	0		(94)						(94)	(94)
Liabilities in disposal groups	0								0	0
<b>Current Liabilities</b>	<b>(5,613)</b>									<b>(5,785)</b>
Trade and other payables	0								0	0
Provisions	(323)		94						94	(229)
Government Grants Deferred	(10,147)				10,147				10,147	0
Unapplied Capital Grants	(1,266)				1,266				1,266	0
Borrowings	(10,169)		(20)						(20)	(10,189)
Defined Benefit Pension Sch.	(27,666)								0	(27,666)
<b>Non Current Liabilities</b>	<b>(49,571)</b>									<b>(38,084)</b>
<b>Net Assets</b>	<b>59,423</b>	<b>0</b>	<b>(6)</b>	<b>(68)</b>	<b>11,413</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,339</b>	<b>70,762</b>
Revaluation reserve	16,960	(5,928)				(1,244)			(7,172)	9,788
Capital Adjustment Account	59,399	5,928	(6)		10,147	1,244			17,313	76,712
Financial Instrument Adjust.	129								0	129
Deferred Capital Receipts	1								0	1
Capital Grants Unapplied a/c	0				1,266				1,266	1,266
Usable Capital Receipts Res	1,451								0	1,451
Pension Reserve	(27,666)								0	(27,666)
Collection Fund Adj a/c	96								0	96
Employee Benefit Reserve	0			(68)					(68)	(68)
General Reserve	2,320								0	2,320
Earmarked Reserve	6,733								0	6,733
<b>Total Reserves</b>	<b>59,423</b>	<b>0</b>	<b>(6)</b>	<b>(68)</b>	<b>11,413</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,339</b>	<b>70,762</b>

# Reconciliation of Income & Expenditure Statement from UK GAAP to IFRS for the year ended 31 March 2010

	UK GAAP			Adjustments				IFRS			Net Diff
	£'000 Expenditure	£'000 Income	£'000 Net	Govt Grants Deferred	Investment Property Revaluation	Presentation	Total	£'000 Expenditure	£'000 Income	£'000 Net	
Central services to the public	9,458	(8,081)	1,377	347			347	9,805	(8,081)	1,724	(347)
Cultural, environmental, regulatory & planning services	19,090	(7,875)	11,215			(8)		19,090	(7,883)	11,207	8
Highways and transport services	4,617	(3,311)	1,306	2		(6)	(4)	4,619	(3,317)	1,302	4
Other Housing Services	26,093	(24,737)	1,356					26,093	(24,737)	1,356	0
Corporate and democratic core	2,299	(1,087)	1,212	176		(4)	172	2,475	(1,091)	1,384	(172)
Non distributed costs	994	0	994		(209)		(209)	785	0	785	209
Exceptional Item	1,008	0	1,008					1,008	0	1,008	0
<b>Cost of Services</b>	<b>63,559</b>	<b>(45,091)</b>	<b>18,468</b>	<b>525</b>	<b>(209)</b>	<b>(18)</b>	<b>298</b>	<b>63,875</b>	<b>(45,109)</b>	<b>18,766</b>	<b>(298)</b>
(Gains) / Losses on Sale of Fixed Assets	803	0	803	968		(28)	940	1,771	(28)	1,743	(940)
Precepts paid to Parish Councils	1,071	0	1,071					1,071	0	1,071	0
(Surplus)/ Deficit from Trading undertakings & other operations	69	(230)	(161)					69	(230)	(161)	0
Other Gains		(28)	(28)			28	28				(28)
<b>Other Operating Expenditure</b>								<b>2,911</b>	<b>(258)</b>	<b>2,653</b>	
Interest payable	616	0	616			15	15	631	0	631	(15)
Interest & Investment Income	0	(263)	(263)					0	(263)	(263)	0
Income, Expenditure, depreciation and impairment of Investment Property							0	0	0	0	0
Pension Interest Cost and Expected return on Pension Assets	1,591	0	1,591					1,591	0	1,591	0
<b>Financing &amp; Investment Income &amp; Expenditure</b>								<b>2,222</b>	<b>(263)</b>	<b>1,959</b>	
<b>Net Operating Expenditure</b>			<b>22,097</b>								

	UK GAAP			Adjustments				IFRS			Net Diff
	£'000 Expenditure	£'000 Income	£'000 Net	Govt Grants Deferred	Investment Property Revaluation	Presentation	Total	£'000 Expenditure	£'000 Income	£'000 Net	
<b>Surplus or Deficit on Discontinued Operations</b>	0	0	0					0	0	0	
Recognised capital grants and contributions				(1,330)			(1,330)		(1,330)	(1,330)	1,330
Income from Council Tax Collection Fund Surplus			(5,566)			(43)	(43)		(5,609)	(5,609)	43
Revenue Support Grant			(43)			43	43				(43)
Local Authority Business Growth Incentive			(3,246)						(3,246)	(3,246)	0
Non service related Grants			(34)						(34)	(34)	0
National Non Domestic Pool			(280)						(280)	(280)	0
<b>Taxation and Non-Specific Grant Income</b>			(8,597)						(8,596)	(8,596)	(1)
<b>(Surplus) or Deficit for the year</b>			4,331							(19,095)	
<b>(Surplus) or Deficit on Provision of Services</b>										4,283	
<b>STRGL</b>											
Surplus or Deficit on revaluation of fixed assets			(6,443)		5,928		5,928			(515)	(5,928)
Surplus or Deficit on revaluation of available for sale financial assets										0	0
Acturial gains / losses on pension assets / liabilities			8,573						8,573		0
Other Gains/ Losses									0		0
<b>Other Comprehensive Income and Expenditure</b>										8,058	
<b>Total Recognised Gains and Losses</b>			6,461								
<b>Total Comprehensive Income and Expenditure</b>										12,341	
<b>NET DIFFERENCE</b>				163	5,719	(3)	5,879				(5,880)

## **36. Exceptional Items**

During 2010/11 there was a large negative past service cost of (£4,326k) and this was due to annual pension increases being based on Consumer Price Index (CPI) rather than Retail Price Index (RPI).

A number of organisational restructures were implemented following the Council wide Transformation Programme. This resulted in a number of posts being made redundant. The majority of these costs were incurred during 2009/10, with a smaller number of redundancies and early retirements taking place during 2010/11, the costs of which amounted to £336k.



# Collection Fund

## Income and Expenditure Account 2010/11

2009/10 £'000		2010/11 £'000	2010/11 £'000	Note
	<b>Income</b>			
41,494	Income from Council Tax		42,351	2
	Transfers from General Fund			2
6,858	- Council Tax Benefits		7,108	
22,662	Income collectable from business ratepayers Contributions		20,708	3
	- Adjustment of previous years' community charges			
<b>71,014</b>			<b>70,167</b>	
	<b>Expenditure</b>			
	Precepts			4
	- Cumbria County Council	36,757		
	- Cumbria Police Authority	6,136		
48,038	- Allerdale Borough Council	5,727	48,620	
	Business rates			3
	Payment to National Pool	20,526		
22,662	Costs of collection	182	20,708	
	Bad and doubtful debts/appeals			
170	- Write offs		156	
59	- Provisions		137	
<b>70,929</b>			<b>69,621</b>	
85	Movement on fund balance – Surplus /(Deficit)		546	
740	Surplus as at 1 April 2010		825	
<b>825</b>	Surplus as at 31 March 2011		<b>1,371</b>	5

## Notes to Collection Fund Account

### 1 General

These accounts represent the statutory requirement to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR).

### 2 Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands, calculated using estimated 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Cumbria County Council, Cumbria Police Authority and Allerdale Borough Council for the forthcoming year and dividing this by the Council Tax Base. The Council Tax Base represents the total number of properties in each band, with allowance for discounts, adjusted by a proportion to convert the number to a Band D equivalent, (£32,251 for 2010/11), having taken account of the estimated collection rate for the year, (97.5 %for 2010/11). The basic amount of Council Tax for a Band D property, (£1,499.56 for 2010/11), is multiplied by the proportion specified for the particular band to give an individual amount due.

The following table shows the Band D Equivalent Chargeable Dwellings, the Tax Base and the basis of Council Tax bills for Bands A to H, taking account of the relevant proportion of Band D for each band:

	Proportion of Band D	Basic amount of Council Tax £'000	Band D equivalent number of chargeable dwellings
Band A	6/9	999.70	12255
Band B	7/9	1166.32	4848
Band C	8/9	1332.94	5372
Band D	9/9	1499.56	4573
Band E	11/9	1832.80	3070
Band F	13/9	2166.03	1385
Band G	15/9	2499.26	724
Band H	18/9	2999.12	24
<b>Equivalent Chargeable Dwellings</b>			<b>32,251</b>
<b>Tax Base: 97.5% of Chargeable Dwellings</b>			<b>31,444</b>

The income of £49,458,948 for 2010/11 is receivable from the following sources:

	£
Billed to Council Tax payers	42,350,559
Council Tax Benefit	7,108,389
	<b>49,458,948</b>

### 3 National Non-Domestic Rates

NNDR is organised on a national basis. The Government specifies an amount and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. For 2010/11, there are two poundages, namely the basic 41.4, (48.5 in 2009/10) and 40.7, (48.1 in 2009/10), for properties subject to small business rate relief. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to Local Authorities' General Funds on the basis of a fixed amount per head of population.

The NNDR income, after reliefs and provisions, of £20,692,831 for 2010/11, was based on a total rateable value as at 31 March 2011, for the Council's area, of £68,162,790 (£55,445,299 in 2009/10).

### 4 Precepts and Demands

The amount shown below represents the precepting authorities' demands on the Collection Fund:

	£
Allerdale Borough Council	5,727,255
Cumbria County Council	36,756,975
Cumbria Police Authority	6,135,467

### 5 Contributions to Collection Fund Surpluses and Deficits

The balance carried forward relating to Council Tax, (£1,371), will be distributed to the precepting authorities as follows:

	£
Allerdale Borough Council	161,055
Cumbria County Council	1,038,817
Cumbria Police Authority	171,590